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US Wine Exports to Russia Are on the Rise

Report Categories:

Agriculture in the News

Agriculture in the Economy

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Retail Foods

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Report Highlights:

Despite stronger interest in U.S. and European lifestyle trends and record growth in wine imports in 2013, wine faces serious difficulties in the Russian market. Such difficulties include stricter government regulations such as high excise rates, restrictions on selling hours and sales locations, a complete ban on advertising of alcoholic beverages, burdensome import controls, and confusing licensing procedures to import wine into Russia. In 2013, Russia imported nearly 500 million liters of wine at a value of \$ 1.2 billion, representing an increase of 16 percent from 2012. U.S. wine sales have risen dramatically in recent years and reached a record \$15.7 million in 2013 (up 27 percent compared to 2012).

General Information:

Despite stronger interest in U.S. and European lifestyle trends and record growth in wine imports in 2013, wine faces serious difficulties in the Russian market. Such difficulties include stricter government regulations such as high excise rates, restrictions on selling hours and sales locations, a complete ban on advertising of alcoholic beverages, burdensome import controls, and confusing licensing procedures to import wine into Russia. Nevertheless, Russia remains a top 10 global importer of alcoholic beverages with Russian consumers showing greater interest in the blossoming wine culture. In 2013, Russia imported nearly 500 million liters of wine worth \$1.2 billion, up 16 percent from 2012. U.S. wine sales have risen dramatically in recent years and reached a record \$15.7 million in 2013 (up to 27 percent compared to 2012). The wine market share in Russia is dominated by European countries (Italy, France and Spain) but there is great potential for U.S. wines with increased marketing and promotional events. U.S.-origin wines have a 1.3 percent market share in Russia.

Industry experts and market analysts have stated that the Russian wine sector is growing and holds significant growth potential driven by a new generation of younger wine drinkers with higher levels of disposable income. According to market analysts, the wine market is forecast to grow at a value Compound Annual Growth Rate (CAGR) of 2.8 percent from 2012–2017 with volume growth being slightly lower, recording a 1.8 percent CAGR. The star of the Russian wine industry is sparkling wine and this category is forecast to see positive growth of 4.9 percent for value and volume over the next 3 years or so. In the past, Russians only popped sparkling wine bottles for celebratory reasons such as birthdays and New Year's. More and more, Russian consumers are buying sparkling wine for different occasions as well. According to industry contacts, in 2013 the sparkling wine category exceeded 25 percent share of the overall market, while its value share was just below half. Still wine accounted for nearly 60 percent of the volume of the Russian market and 41 percent of its value, making it the largest category in 2013.

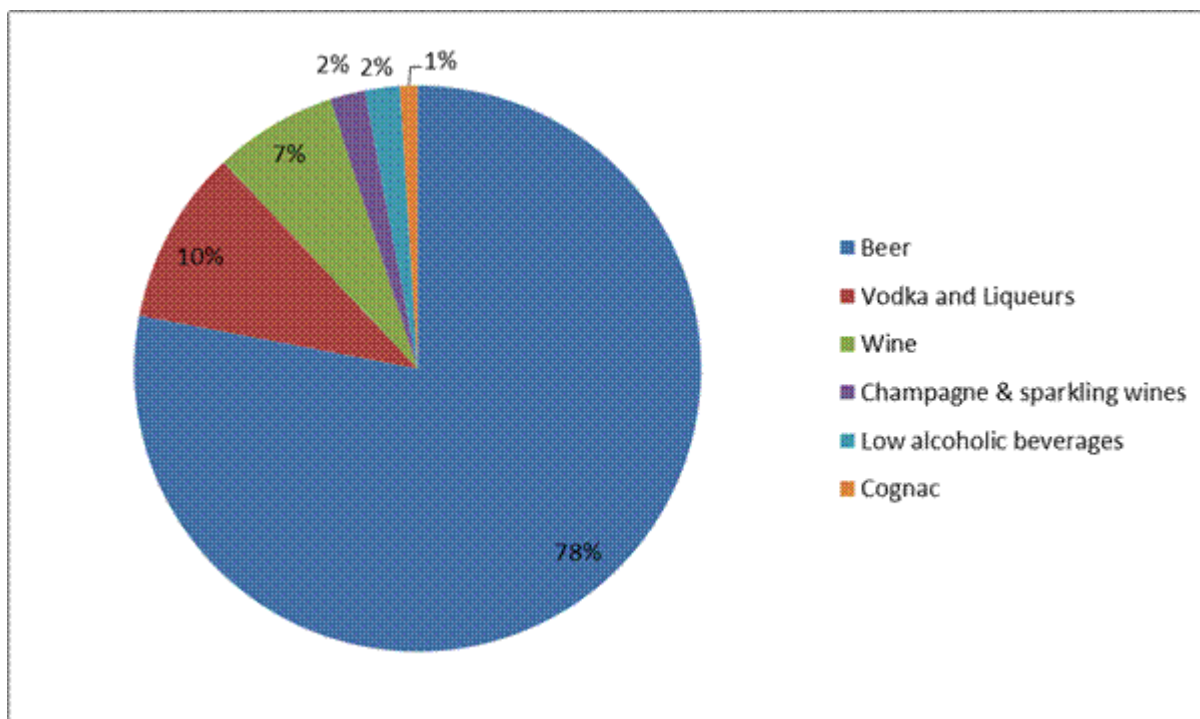
Wine Culture Blooms in Russia

Russia remains, fundamentally, a vodka and beer country. However, better quality wines are making their way into the mass market helping the wine culture in this country develop and thrive. Mid-priced wines are more commonly found in Russia's retail and HRI sectors, which is expected to serve as the backbone in establishing a solid wine culture in Russia.

According to Federal Statistic Bureau, Russia's consumption of table wine, champagne and sparkling wines has increased in last few years reaching 912 million liters (up at 3.5 percent) and 288 million liters (up at 1.6 percent) in 2013.

In 2013, vodka and liqueurs made up the majority of overall consumption alcohol and its share was 42.6 percent, (44.9 percent in 2012) followed by beer at 38.5 percent (38.2 percent in 2012), wine at 8 percent, champagne/sparkling wine at 2.5 percent, and cognac at 3.8 percent.

Graph 1. Russia: Volume Market Share of Alcoholic Beverages, CY 2013



Source: Russian Federal Statistics Service (Rosstat)

The current average per capita consumption of beer in Russia is estimated at 75-80 liters, of hard spirits at 13-14 liters, and of wine at 7-8 liters per year. Market analysts predict dramatic changes in consumption patterns as the Russian government begins taking concrete measures to lower alcohol consumption in Russia such as high excise rates, restrictions on selling hours and sales locations, a complete ban on advertising of alcoholic beverages, burdensome import controls, and confusing licensing procedures to import wine and spirits. Currently wine is the third most popular alcoholic beverage in Russia by volumes sold in 2013.

Table 1. Russia: Sales Volume and Average Annual Consumption of Alcohol by Categories

Alcohol category	Volume sales, 2013 Million liters	2010-2013 Liters per person	2018-2020 forecasts Liters per person
Beer	10,056	75-80	60-70
Spirits	1,697	7-9	18-21
Wine	1,200	13-16	10-11

Source: Rosstat, Information agency "CredInform", and Market Analysts

All beverages with alcohol content with volume of more than 1.5 percent are considered to be "alcoholic" and are subject to taxation. The rate of taxation depends on the percentage of alcohol.

Table 2. Russia: Excise Tax Rates, 2011-2014, in Russian Rubles*

	2011	2012	2013	2014
Sparkling wine	18	22	24	25
Table wine	5	6	7	8
Average exchange rate per \$1	29.35	31.07	31.9	
Inflation	6.1	6.6	6.5	

Source: Tax Code of Russian Federation

*Excise tax rates in Rubles per liter of alcohol product

Table 3. Russia: Excise Tax Growth from 2011-2014, in Percentage

	2011	2012	2013	2014
Sparkling wine	29%	22%	9%	4%
Table wine	43%	20%	17%	14%

Source: Tax Code of Russian Federation

Excise Taxes on Alcoholic Beverages Continue to Grow

In 2013, the excise tax on table wines was 7 Rubles per liter (up to 17 percent from 2012) and jumped to 8 Rubles per liter (up 14 percent) in 2014. The excise tax on sparkling wines and champagne also increased from 24 Rubles per liter in 2013 to 25 Rubles per liter in 2014. Excise taxes on alcoholic beverages increase on a regular basis in Russia and have raised substantial amounts of revenue for the Russian government. In 2013, alcohol excise taxes grew by 20 percent compared to the previous year valued at 300 billion Rubles. This amount is roughly 1.3 percent of the total Russian government budget.

Wine Imports Up 16 Percent in CY 2013

Russia imported nearly 500 million liters of wine in 2013 valued \$1.22 billion - representing an increase of roughly 16 percent from 2012. Italy is the largest wine exporting country to Russia and maintains nearly 29 percent market share. In 2013, Italy supplied the most amount of wine in volume with 76,3 million liters worth \$ 347.7 million (up 32 percent).

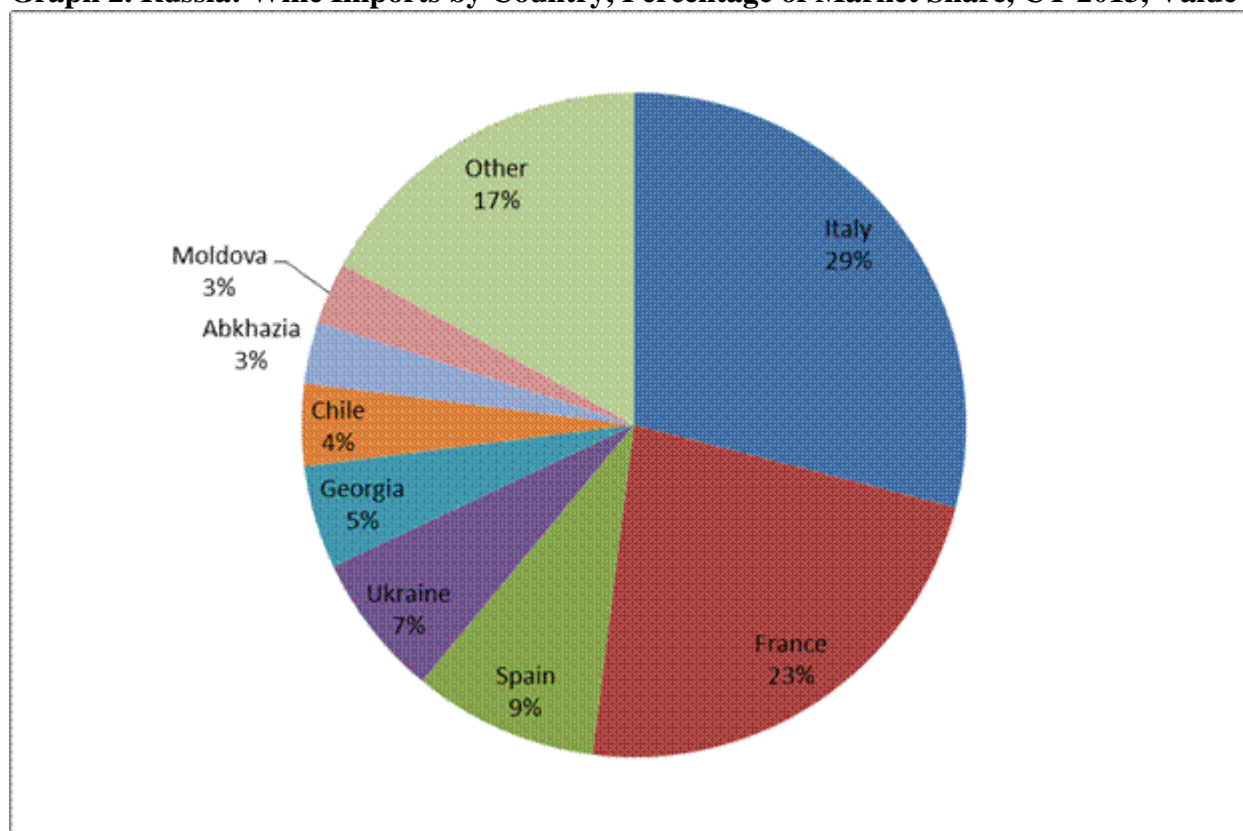
Table 4. Russia: Wine Imports: Top 15 Exporting Countries by Value (U.S. Dollars)

Country	2011	2012	2013	% Share 2013	% Change 2013/2012
World	953,519,651	1,052,056,876	1,218,674,614	100.00	15.84
Italy	274,043,061	264,132,338	347,741,757	28.53	31.65
France	222,255,903	255,039,724	274,739,368	22.54	7.72
Spain	138,994,768	104,040,992	110,676,851	9.08	6.38
Ukraine	62,589,354	89,423,735	84,521,696	6.94	- 5.48
Georgia	0	0	56,283,618	4.62	0.00
Chile	37,873,650	45,951,764	50,855,426	4.17	10.67
Abkhazia	12,488,047	31,258,367	39,012,552	3.20	24.81
Moldova	33,566,693	43,547,326	36,713,283	3.01	- 15.69
Germany	48,497,467	34,770,613	36,238,138	2.97	4.22
South Africa	9,369,279	31,540,519	36,204,760	2.97	14.79
Argentina	12,400,624	24,288,670	21,937,755	1.80	- 9.68

Bulgaria	23,110,595	21,084,570	18,426,093	1.51	- 12.61
United States	9,689,331	12,344,865	15,682,060	1.29	27.03
Australia	6,248,909	7,285,895	12,157,695	1.00	66.87
Brazil	652,113	2,932,575	10,514,221	0.86	258.53

Source: Customs Committee of Russia; HS 2204, Wine of Fresh Grapes, Including Fortified Wines

Graph 2. Russia: Wine Imports by Country, Percentage of Market Share, CY 2013, Value



Source: Customs Committee of Russia

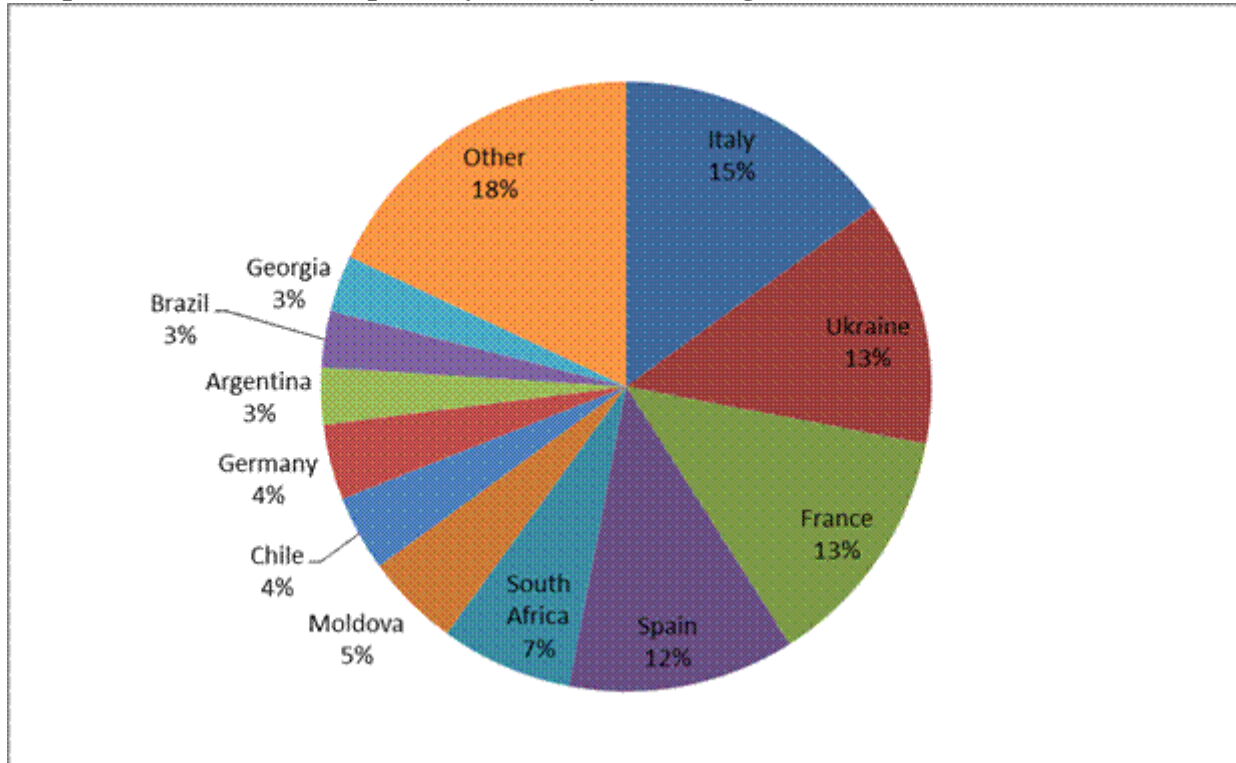
Table 5. Russia: Wine Imports: Top 20 Exporting Countries, in Liters

Country	2011	2012	2013	% Share 2013	% Change 2013/2012
World	499,095,670	490,088,534	497,749,582	100.00	1.56
Italy	76,409,844	62,306,748	76,325,630	15.33	22.50
Ukraine	39,980,841	58,767,995	64,804,581	13.02	10.27
France	59,913,786	62,149,331	62,521,184	12.56	0.60
Spain	152,676,814	67,096,203	57,395,179	11.53	- 14.46
South Africa	6,070,140	33,792,811	36,087,981	7.25	6.79
Moldova	24,158,977	31,461,557	26,715,835	5.37	- 15.08
Chile	12,998,412	15,552,269	18,552,845	3.73	19.29
Germany	27,471,304	18,090,707	17,879,242	3.59	- 1.17

Argentina	9,020,261	24,735,997	17,098,573	3.44	- 30.88
Brazil	1,065,180	3,863,497	15,180,530	3.05	292.92
Georgia	0	0	14,997,900	3.01	0.00
Bulgaria	18,306,494	16,851,096	13,489,167	2.71	- 19.95
Uruguay	374,765	14,989,396	13,310,113	2.67	- 11.20
Abkhazia	3,529,329	8,531,075	10,473,141	2.10	22.76
Australia	1,398,820	1,609,337	9,146,262	1.84	468.32
Canada	458	2,208,551	7,944,339	1.60	259.71
Uzbekistan	6,020,544	6,656,084	6,683,812	1.34	0.42
European Union	37,585,480	39,593,409	5,128,500	1.03	- 87.05
Serbia	3,104,069	3,564,257	4,739,622	0.95	32.98
United States	3,105,498	3,640,073	4,436,934	0.89	21.89

Source: Customs Committee of Russia

Graph 3. Russia: Wine Imports by Country, Percentage of Market Share, CY 2013, Volume

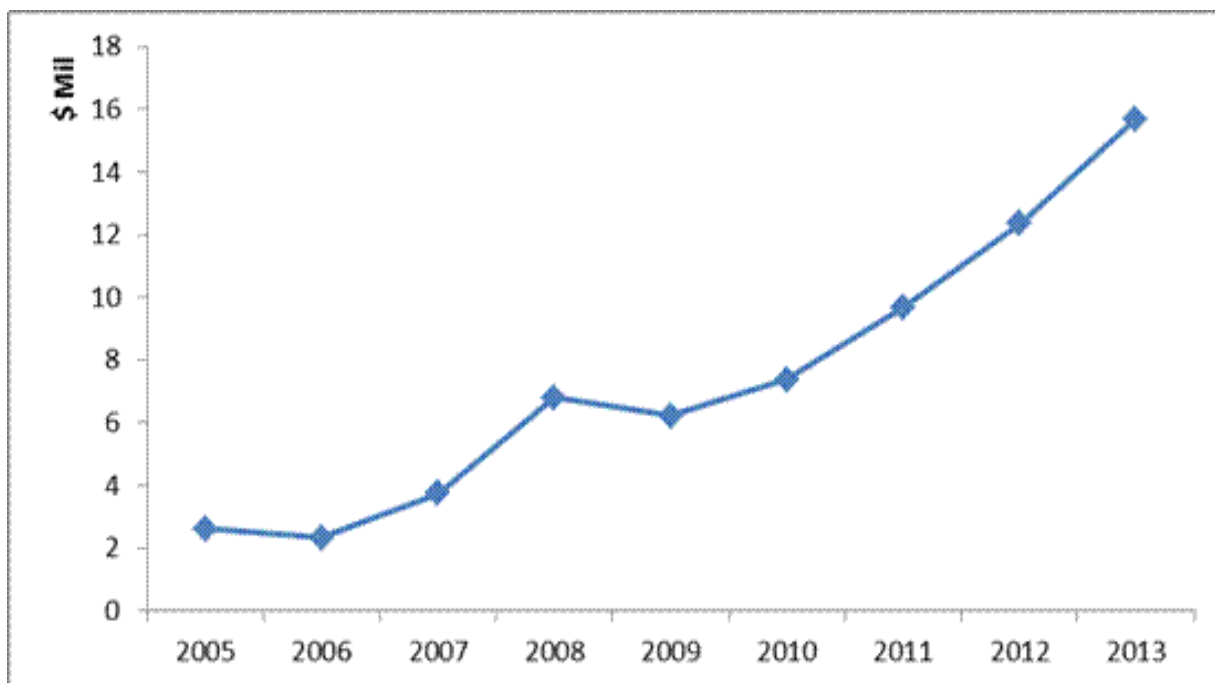


Source: Customs Committee of Russia

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Graph 4. Russia: Wine Imports from the United States, in Million USD



Source: Customs Committee of Russia

Sparkling and semi-sweet wines have historically been the fermented grape beverages of choice in Russia and remain very popular to this day. However, demand and consumption of dry wines has been on the rise in recent years as better quality wines find their way into the market. In 2013, there was a 3 percent growth by volume for sparkling wine, 2 percent growth for still rose wine and a 1 percent increase for both dry red and white wines.

Table 6 below is a list of the top ten Russian importers of wine into the country. These 10 companies supply roughly half of all of the imported wine shipped to Russia.

Table 6. Russia: Top 10 Wine Importers in Russia, CY 2013

	Company Name	Wine Imports In Million Liters	Imported Products
1	OOO Luding Trade	40.3	wine
2	ZAO Igristye Wina	37.6	wine materials
3	OOO Moro	22.3	wine
4	Bacardi Rus	18.5	wine
5	ZAO Vinimport	16.9	wine
6	OOO Rusalkoimport	16.	wine
7	ZAO Detchinskiy Zavod	15.2	wine materials
8	OOO Mistral Alko	13.4	wine
9	OOO Alianta Group	12.5	wine
10	ZAO Firma Vastom	12.5	wine materials

Source: ZAO Vinimport

Conclusion

Russia remains, fundamentally, a vodka and beer country. However, better quality wines are making

their way into the mass market helping the wine culture in this country develop and thrive. Mid-priced wines are more commonly found in Russia's retail and HRI sectors, which is expected to serve as the backbone in establishing a solid wine culture in Russia. According to Federal Statistic Bureau, Russia's consumption of table wine, champagne and sparkling wines has increased in last few years reaching 912 million liters (up at 3.5 percent) and 288 million liters (up at 1.6 percent) in 2013. Industry experts and market analysts have stated that the Russian wine sector is growing and holds significant growth potential driven by a new generation of younger wine drinkers with higher levels of disposable income. The star of the Russian wine industry is sparkling wine and this category is forecast to see positive growth of 4.9 percent for value and volume over the next 3 years or so. In the past, Russians only popped sparkling wine bottles for celebratory reasons such as birthdays and the New Year. Still red and white wines accounted for nearly 60 percent of the volume of the Russian market and 41 percent of its value, making it the largest category in 2013.